

28 September 2021

Equinor welcomes the opportunity to respond to your Future System Operator consultation. Please see our responses to the questions that we have outlined below.

Future System Operator

1. Do you agree that net zero will create the need for new technical roles in the electricity and gas systems, and require a new approach to energy system governance?

It has become clear that as the energy system becomes increasingly interlinked future changes to achieve net zero do require new approaches to be developed. At the same time, system operators and regulators should also avoid creating uncertainty and added complexity to avoid inefficient outcomes. Whole energy system planning and coordination across energy vectors and different parts of the energy system is becoming increasingly important.

2. Do you agree that the establishment of a Future System Operator is needed to fulfil the kinds of technical roles needed to drive net zero?

Equinor supports the establishment of an independent FSO provided the time and costs of implementation aren't excessive.

3. Do you agree that a Future System Operator should have roles in both the electricity and gas systems?

Equinor supports keeping the Gas SO and TO separate from the FSO for the time being while acknowledging there is potential for a single system operator in the future. The FSO should have a responsibility for high level strategic system planning of both the gas and electricity networks and eventually, CCUS and hydrogen in the future. Further detail is required on the detailed gas related planning activities that the FSO would need to undertake to deliver the strategic co-ordination role and we would like to see this discussed with industry in the future.

5. What issues are there with existing institutional arrangements in the UK energy system in relation to system-wide decision-making and planning?

One aspect that should be considered to alleviate some of these issues is that regulators' primary statutory duties should be adjusted to reflect the net zero objective. This would arguably enable the rate of progress to be realised more quickly than it is at present.

7. Where should government focus in our efforts to improve systems thinking and coordination across the energy system?

If the UK is to achieve its target of becoming net zero by 2050, then in the context of GB the speed and scale of regulatory decision-making will need to change significantly.

9. Do you agree there is a case for the FSO to undertake the long-term strategic functions outlined in Option 1? Please elaborate and provide any views on the functions we have outlined in Option 1.

Option 1 is preferable to Option 2. However, the impact of a potential new owner of the gas system needs to be considered and they may take a different view on network planning, forecasting and strategy.

10. Do you agree that there is not currently a case for the FSO to undertake all GSO roles and functions, including real-time gas system operation, as outlined in Option 2? If you do not agree, please explain why.

Equinor agrees there is not currently a case for the FSO to undertake GSO roles and functions and feels the creation of an FSO with responsibilities for gas system operation has not been made. Equinor supports keeping the Gas TO and SO functions together and outside of the FSO for the time being.

12. Do you have any views on the other areas where we are considering new and enhanced roles and functions for the FSO (outlined in section 3.2)?

The FSO would not be the only organisation providing advice on these topics and there are many other bodies which will also be looking to perform such analysis. Advice on reaching net zero will need to be based on engagement with many parties across all sectors: electricity, natural gas, hydrogen, CCUS, heat, transport, etc. The FSO will clearly have a key role, but the advice must come alongside that from other sectors. The FSO should focus on energy and the advice provided should be complimented with wider governance reform and institutional changes across government departments for wider net zero changes.

13. What are your views on our proposed characteristics and attributes of a future system operator and how the models presented would deliver against them? Are there other characteristics or attributes that we have not yet considered?

The FSO needs to understand the pathway from the current situation towards net zero and how consumers will interact with this process. A higher level of understanding of the needs of consumers is needed and this requires detailed research around what individual consumer types require from their energy system. "Buy in" from consumers also needs to be factored into the overall process.

15. Are we considering the right elements for the FSO's regulatory and accountability frameworks? And why?

The regulatory structure for the FSO will be completely new and therefore would need to be subject to a separate consultation. It is not clear how an FSO, that is independent of the regulator would be accountable to Ofgem and therefore more clarity is needed in this area. Equinor feels all decisions and recommendations made by the FSO should be appealable to the CMA which isn't covered sufficiently within this document.

18. What is your view on the preferred implementation approach? Please explain why.

The process of implementation is lengthy, and the concern is that this will use valuable industry resources away from focusing attention on the need for timely decisions to be taken to facilitate new investment towards net zero.

21. Do you have any comments on potential implications of implementation for you, your organisation, or other stakeholders?

Equinor will need to commit time and resource to this work stream incorporating future modifications, workgroups, and consultations. A change of this size and magnitude will necessitate for a clear and transparent process so changes are signposted and can be anticipated by industry participants.

Yours sincerely,
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